

# A GUIDE TO ERP SUCCESS

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## INTRODUCTION

Enterprise resource planning (ERP), client/server applications for managing accounting, manufacturing, distribution, and human resources, are the de facto backbone of business intelligence. However, while many organizations consider the introduction or enhancement of an ERP solution, the significant and well-publicized challenges associated with ERP implementations often daunt them. According to Gartner Group, "...for 40 percent of enterprises deploying ERP or ERP II systems through 2004, the actual time and money they spend on these implementations will exceed their original estimates by at least 50 percent (.07 probability). Many enterprises have suffered spectacular project failures due to unplanned or underplanned implementation projects."<sup>1</sup>

Reliably predicting implementation costs and the time required for implementation are two key outcomes of successfully planning an ERP initiative. Organizations must be able to accurately predict costs, resources, and requirements, and develop a plan of attack both before the implementation begins and throughout the project.

While ERP implementation horror stories highlight serious business consequences and criticize leading ERP vendors for botched deployments, often the software giants are not to blame. Companies must realize that ERP systems are not a stand-alone solution, but instead an enabling technology to support a broad corporate change, and the key to a successful deployment is in the process.

Organizations must broaden their perspective in order to put their ERP efforts back on a successful path. Too many overlook a critical stage: New business processes must be established, thought through, and implemented before the selection, purchase, and deployment of a software solution.

As more organizations worldwide choose to build their corporate knowledge base around complex infrastructure solutions, the need to understand how to successfully implement an ERP system has become increasingly important.

## BARRIERS TO SUCCESS

Typically, there are three process barriers that prevent many ERP implementations from being successful. These barriers result in an elongated development cycle with poorly defined and managed requirements and, as a result, poorly defined measures of success. The implementation team often is tasked with chasing a series

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# White Paper

## Solutions used:



TECHNOLOGY MIGRATION



ROBBINS GIOIA

<sup>1</sup> Frey, Ned; Karamouzis, Frances; Phelan, Pat; Zrimsek, Brian. 2001. Estimating Time and Cost of ERP and ERP II Projects: A 10-Step Process. Gartner Group Research (online).

of fluid requirements, no process for managing changes to the project scope, and a false belief that technology alone will prevail. These teams are, without fail, disappointed with the results.

Specifically, the three most common mistakes of ERP implementations are the following:

**Focusing on technology:** The technology "silver bullet" approach is one sometimes sold by vendors. However, there is no evidence anywhere in the history of IT that software alone will solve a business problem.

**Ignoring the importance of requirements definition:** Organizations too often ignore the need to define an optimal process and then use the technology as an enabler for the process. In too many instances, organizations either try to adopt a process that is inherent in the ERP solution, even if it does not fit their business requirements, or they try to shoe-horn their legacy processes into a software package that is not designed to support their processes. In both cases, they suboptimize the capabilities in the technology and don't take advantage of the opportunity to streamline their business process—the entire point of technology implementations.

**Jumping from the requirements definition to the development phase:** Pressed to deliver systems against predefined timelines that don't take into account all of the necessary implementation steps, organizations often rush the process, neglecting to build both a solid implementation plan and solid agreement across the organization as to what it will take to develop and implement the solution before implementing the technology.

## LEVERAGING THE POWER OF THE PROJECT MANAGEMENT OFFICE FOR ERP SUCCESS

As organizations embark on their ERP initiatives, many ignore key issues that can easily be addressed through a professional project management organization. Some of the most critical items that cannot be overlooked are: the integration of client, implementer, and software vendor goals and plans; constant management of the project's scope; and a method for gaining visibility into project health at all levels of the organization and throughout the life of the project.

The first point—integration of client, implementer, and vendor objectives—is essential. Too often, client organizations abdicate responsibility for proj-

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ect implementation under the assumption that their vendors (both the software provider and the implementer) will have identified and addressed the problem. Issues arise because all parties do not agree up front on priorities, schedules, escalation procedures, and communication channels. By the time this comes to the fore, the problems can be insurmountable.

In addition, management of project scope and requirements can be a sticking point. Many organizations jump into the implementations without defining the project in "bite-sized chunks" that can be accomplished in a reasonable period of time. As schedules drag on and requirements are heaped on the initial phase, the customer loses faith in the initiative and organizational inertia can take hold. If requirements are managed scrupulously and reflected in the form of clearly articulated scope elements, the entire project is more likely to succeed, and chances are better for its ultimate adoption and survival.

The final barrier lies in visibility at all levels of the organization. Without this, small issues can snowball into major hurdles—often it isn't what you know, but rather it's when you find out. If executives, managers, vendors, and clients all have timely visibility into project status, looming issues, and resource requirements/constraints on a regular basis, the entire team is more likely to get ahead of the problem and find a solution without significant impact to the project as a whole.

But how can an organization ensure that it will avoid these pitfalls and implement successfully? A project management office (PMO) can be a key success factor. A PMO is a central organization with responsibility for management, oversight, communication, and tracking either for a single significant project (like an ERP implementation) or for all of the projects of a department or enterprise. The PMO can provide the needed structure and discipline, as well as assume an organizational leadership role to support ERP solution deployment.

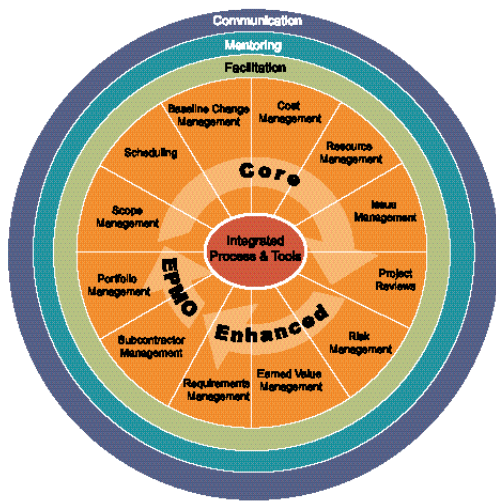
According to Gartner, "The recent success of the many project offices that addressed the year 2000 problem has proven the project office to be a "best practice" for delivering successful projects." Additionally, Gartner notes, "...a project office is a shared competency designed to integrate project management within an enterprise. A project office can be a key resource in establishing an enterprise competency in project analysis, design, management, and review. Given the appropriate governance, it can improve communication, establish an enterprise standard for project management and help reduce the disastrous effect of failed development projects on enterprise effectiveness and productivity."<sup>2</sup>

In its basic configuration, the PMO supports core project management-related functions including scope management, baseline change management, project scheduling, resource management, cost management, and project reviews.

Some organizations expand PMO processes to include additional functions such as risk management, earned value, and requirements management. Ultimately, in its most robust state, the PMO supports portfolio management, which in addition to the core and/or enhanced functions, supports selection, prioritization, performance measurement, and ongoing management of multiple projects and internal investments. Portfolio management enables companies to align IT and business management objectives, one of the key components missing in previous ERP implementations. In this configuration the PMO supports enterprise and project requirements, hence the term "enterprise PMO."

Figure 1 summarizes the PMO process domain showing the progression from core to enterprise management capability.

<sup>2</sup> Berg, Tom; Light, Matt. 2000. The Project Office: Teams, Processes and Tools. Gartner Group Research (online).



## ROLES OF THE PMO

In complex ERP implementations, the PMO assumes a variety of roles depending on the needs of the specific projects and organizations being served. Tactically, the PMO can provide direct support to ERP initiatives in several areas such as scope definition, project plan development, resource estimation, detailed scheduling, and performance reporting. Strategically, the PMO can help senior executives manage a portfolio of projects, including customer and internal initiatives.

The role of the PMO can be summarized into five core functions:

**Project Management Solution Architect:** In this role the PMO assumes a leadership function in defining the combination of processes, technologies, and standards required to meet the strategic and tactical project management requirements of the organization.

**Process Champion:** Very few processes survive, improve, and add maximum value without active support. In the role of process champion the PMO develops, implements, and continuously improves project management processes based on organizational feedback, management requirements, and industry best practices. Implicit in this role is the need to provide value to project and senior management stakeholders alike.

**Mentor and Coach:** As mentor and coach, the PMO assumes an active role in promoting knowledge, understanding processes, and achieving buy-in from stakeholders across the organization. The focus of mentoring is on promoting an understanding of the relevant PMO processes, but may extend to an understanding of general project

management knowledge that is relevant to the stakeholder. This role also includes developing and implementing (or recommending) project management training.

**Facilitator:** This role includes working directly with project teams and conducting project workshops designed to gain project team consensus on key project parameters such as scope, resource requirements, project plans, and schedule dependencies.

**Knowledge Broker:** In this role, the PMO ensures that all project-critical management data and information necessary for process implementation and decision-making are available to all stakeholders through procedural or technological means. This includes the analysis and reporting of project metrics including cost/schedule performance metrics and risk metrics, as well as providing quantitative and qualitative analyses including variance analysis, critical path analysis, and trend analysis.

The relative importance of each role varies based on a number of factors including organizational project management maturity and size, complexity of the projects within the portfolio, end-customer requirements, and the type of analysis and metrics used to select, prioritize, monitor, and control projects.

Gartner notes, "Through 2004, information systems organizations that establish enterprise standards for project management, including a project office with suitable governance, will experience half the major project cost overruns, delays, and cancellations of those that fail to do so (0.7 probability)."<sup>3</sup>

## DRIVING RESULTS

Once a PMO is in place to provide the structured and disciplined processes needed to manage ERP implementations, communication and corporate culture factors must be considered. The PMO alone cannot ensure a successful ERP implementation. These factors include:

**Staffing/Training:** Once a PMO is implemented challenges often arise, as the customer team is unfamiliar with PMO technology and methodologies. To successfully leverage PMO technology all members of the team must understand the discipline, rigor, and sound processes a PMO can provide. If a basic understanding is not put in place through training, the integrity of the data can be compromised.

**Gaining Trust:** An issue of trust can arise from using a third-party integrator. Frequently disclosure becomes an issue, as not all integrators are willing to provide complete information to the customer. The key to developing and/or gaining trust is to operate with an open book policy, working as a cohesive team rather than two separate companies.

**Define Success:** As success is relative to each organization, it is essential to understand what constitutes success ahead of time. For example, if an ERP implementation runs over budget, but encompasses all the functionality desired by the stakeholders, it may be considered a success. Additionally, if an ERP system is implemented and remains on budget and on schedule but lacks some desired functionality, it may not be considered a success. Only through open and honest communication will all parties understand what constitutes an ERP success.

Deploying a PMO streamlines and facilitates the ERP implementation process. Companies who leverage the strength of a PMO can mitigate risk, minimize costs, and ultimately, expect smoother implementations. Putting in place solid project management techniques through the use of technologies such as a PMO can provide the needed structure to successfully guide companies through previously murky implementations.

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<sup>3</sup> Berg, Tom; Light, Matt. 2000. The Project Office: Teams, Processes and Tools. Gartner Group Research (online).

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